

IN THE SENATE OF THE UNITED STATES.

L E T T E R

FROM

THE SECRETARY OF THE TREASURY,

IN REPLY TO

Senate resolution of January 4, 1895, in respect to the amount necessary to carry into effect the provision of the act of 1894 exempting from taxation alcohol used in the arts and for medicinal purposes.

JANUARY 12, 1895.—Ordered to lie on the table and be printed.

TREASURY DEPARTMENT, *January 10, 1895.*

SIR: I have the honor to acknowledge the receipt of the resolution of the Senate of the United States, of January 4, 1895, directing the Secretary of the Treasury to inform the Senate what amount, in his judgment, will be required to provide sufficient force of clerks and inspectors, or other like officers, to carry into effect the provision of the act of 1894 exempting from taxation alcohol used in the arts and for medicinal purposes.

In reply I would say that, in my judgment, the amount which will be required for the purpose named, is not less than one million dollars, per annum. In this connection, I beg leave to submit copies of two letters of the Commissioner of Internal Revenue, dated November 28, 1894, and January 9, 1895, respectively.

Respectfully, yours,

J. G. CARLISLE,
Secretary of the Treasury.

HON. ADLAI E. STEVENSON,
President of the Senate.

TREASURY DEPARTMENT,
OFFICE OF COMMISSIONER OF INTERNAL REVENUE,
Washington, D. C., November 28, 1894.

SIR: In compliance with your request I have the honor to inclose herewith copies of correspondence concerning the provision in the tariff bill of August 28, 1894 (section 61), relative to the use of alcohol in the arts free of internal-revenue tax.

You will observe by my letter of July 6, 1894, copy herewith, that the loss of revenue through the operation of this law is estimated to

be about \$10,000,000 annually. I am of the opinion at this time that the above estimate is not excessive if all manufacturers who use alcohol in the arts or in any medicinal or other like compound should avail themselves of the privilege accorded by the law to use it free of tax.

I have found it impossible to estimate the expense of supervising this matter with any degree of accuracy. It is found, however, in order to prevent fraud and to arrive at the amount of tax to be refunded to persons who use alcohol in the manner provided that the services, in a sufficient number, of officers whose duties are similar to those of storekeepers or storekeepers and gaugers are needed. There are about 1,600 distilleries in the United States, requiring the services of some 1,200 storekeepers and gaugers, and 650 storekeepers, who gauged last year 242,626,324 gallons of distilled spirits, at an expense of \$1,200,000, these officers being paid at the rate of compensation ranging from \$2 to \$4 per day.

If the regulations were so framed as to exclude small manufacturers from the benefits of the law, it is fair to presume that there would be, even then, as many manufacturers as there are distillers, viz, 1,600.

Perhaps these officers might serve these manufacturers in a more economical manner than the distillers, but even making a large allowance for this advantage it seems impossible to supervise this business at an expense of less than \$500,000.

The number of druggists in the United States was stated in my letter of August 25, 1894, to be 200,000. This statement was made upon information which has since been found to be unreliable. The latest information I have in this matter is to the effect that the number is only 60,000.

I also inclose herewith a draft of proposed regulations in this matter, drawn at your request in the early part of September, 1894.

There are five letters addressed to you herewith, bearing dates as follows: July 6, 1894, August 25, 1894, August 27, 1894, October 3, and October 5, 1894. Copies of two letters from you dated, respectively, October 5 and 6, 1894, are also inclosed. This is believed to be all the correspondence between the two officers in this matter.

Respectfully, yours,

JOS. S. MILLER, *Commissioner.*

Hon. JOHN G. CARLISLE,

Secretary of the Treasury, Washington, D. C.

TREASURY DEPARTMENT,
OFFICE OF INTERNAL REVENUE,
Washington, January 9, 1895.

SIR: In reply to your inquiry for an estimate of the expense of the administration of section 61 of the act of August 28, 1894, pursuant to the United States Senate's resolution of the 4th instant (which is herewith returned), I would say that nothing has come to my notice since November 28, 1894, the date of my last letter to you relative to this matter, which leads me to believe that the expense of official supervision was at that time overestimated.

It was stated in that letter that the expense of the necessary official supervision would not be less than \$500,000 per annum. This estimate was based upon the number of officers required whose duties would be similar to those required of storekeepers and gaugers. There are about 1,600 distilleries in the United States, requiring the services of some 1,200 storekeepers and gaugers and 650 storekeepers, who were

paid last year \$1,200,000 at a rate of compensation ranging from \$2 to \$4 per day.

It was estimated that if the number of manufacturers could be reduced by regulation to 1,600, a number equal to the number of distilleries, and if these officers could serve as to these manufacturers more economically than they serve as to the distilleries, the expense for this service would not be less than \$500,000 per annum.

Since November 28, 1894, I have obtained further information in regard to the use of alcohol by druggists and by manufacturers of patent medicines, and feel warranted in estimating the number of druggists who are now in the habit of buying alcohol in distillers' original packages, or other packages containing each 40 gallons or more, at 3,800, and the number of patent medicine manufacturers at 200. It is not seen from these figures how the number of the favored class as to those who use alcohol in any medicinal or other like compound could well be less than 4,000. In fact it is not clearly seen how any discrimination could be made against any druggist who makes medicinal or other like compounds in which (as happens in the business of all or nearly all druggists) alcohol is a necessary component part.

It is true that druggists whose business does not warrant the purchase of the ordinary distiller's original 40-gallon package of alcohol have heretofore usually purchased their supplies in small packages put up from distillers' packages by rectifiers and liquor dealers.

As, however, distillers' original packages may, under the internal-revenue laws, contain as small a quantity as ten wine gallons, it would seem that most druggists who have heretofore obtained the alcohol to be used in the manufacture of tinctures and extracts from liquor dealers will buy directly from the distillers or from those who deal in distillers' original packages containing ten wine gallons each.

How can it be said that a manufacturer is not a manufacturer, because the amount of business done by him is small. There being no special statutory definition in this instance, no such discrimination could be made by the Treasury Department. This being the case, it would seem that the number of manufacturers who daily, Sundays not excepted, use alcohol in medicinal or other like compounds would be more nearly 32,000 than 1,600, involving an outlay of \$10,000,000 rather than \$500,000.

Nevertheless, although these small druggists are required to make up these medicinal compounds at all hours of the day and night and Sundays, their great number affords an opportunity for economical official supervision not otherwise possible. Even with this advantage, however, when the fact is also taken into account that the operations of photographers, manufacturing chemists, perfumers, manufacturers of flavoring extracts, hatters, paint and varnish manufacturers, manufacturers of tobacco and cigars, of woollen goods, of carpets, of mince-meat, and of glue, would necessarily also be brought under the same surveillance when the use of alcohol in such arts and manufactures is claimed, it would seem to be improper to estimate the expense of an efficient administration at less than \$1,000,000 annually.

Respectfully, yours,

JOS. S. MILLER,
Commissioner.

HON. JOHN G. CARLISLE,
Secretary of the Treasury.

